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Russian Federation

Agricultural Situation

Food Price Control Will Be Extended until May 1, 2008

2008

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Report Highlights:

The Russian Government, producers, and retailers will extend the voluntary agreement on price freezing of staple foods until May 1. The agreement between the Ministry of Agriculture and major food producers and retailers will be signed on January 31, 2008, after the government, producers, and retailers reach a consensus on raising the "freezing level" in order to reflect increased production expenses since October 15, 2007.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Moscow [RS1]
[RS]

Russia Prolongs the Agreement on Freezing of Prices of Staple Foodstuffs

On January 28, 2008, food producers and retailers agreed to prolong the Agreement¹ freezing of prices of staple foodstuffs for another three months through May 1, 2008. The new agreement was reached at a meeting in the Ministry of Agriculture, headed by Minister Gordeyev². Representatives of the Union of Russian Poultry Producers (Rosptitsesoyuz), the Agro-Industrial Union (Agropromsoyuz), Russian Dairy Union, Agribusiness section of the Commission of Russian Union of Industry and Entrepreneurship (RSPP), Russia's Oils and Fats Union, Association Retail Traders (ACORT), companies "Unimilk", Wimm-Bill-Dann", retail networks "Ashan", "Metro Cash & Carry", "Kopeyka", and "Billa" participated in the meeting. The new Agreement will be signed on January 31. The list of staple foodstuffs will not be changed: wheat bread, rye bread, milk (fat content 1.5 percent and more), kefir (fat content 1 percent and more), bottled sunflowerseed oil, poultry eggs. However, by January 31 producers and traders shall agree on the ceiling prices and trade margins for these products, as from October 15, 2007 through January 31, 2008, producers' and traders' expenses increased by 15-20 percent due to increased gas and electricity tariffs, price of grain and flour, and wholesale price of vegetable oil. Mass media forecasts that the ceiling level for staple food products may be agreed at 10-15 percent higher than the October 15 level.

Other Relevant Reports

RS7092 Agricultural Situation / Creation of Legal Basis for Food Price Regulation
<http://199.129.102.239/GainFiles/200712/146293347.pdf>

RS7091 Agricultural Situation / Russia May Prolong Food Price Controls as Inflation Continues to Grow <http://199.129.102.239/GainFiles/200712/146293287.pdf>

RS7026 Agricultural Situation / Impact of Rising Commodity Prices on Retail Food Prices in Russia <http://199.129.102.239/GainFiles/200703/146280415.pdf>

¹ On October 24, 2007, a formal agreement was signed by the Ministry of Agriculture, major retailers and producers to freeze prices at October 15 levels on eight staple foodstuffs until January 31, 2007. The retail trade margin for these products was fixed at 10 percent.

² Official information on this issue is on the website of the Ministry of Agriculture of the Russian Federation
http://www.mcx.ru/index.html?he_id=664&news_id=4028&n_page=1&print=1